

MONTHLY REVENUE REPORT

December 2006

The revenue collected from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.53 billion in December, which was down 4.0% from the year-ago level. This weakness in tax collections was well distributed among the major taxes, as receipts fell in the income, use, single business, State education, real estate transfer, and oil and gas severance taxes. Helping offset these declines were increases in the revenue collected through the sales, tobacco, insurance, and casino taxes. The decline in December tax collections, coupled with the 0.4% decrease experienced in November, means that tax collections so far in FY 2006-07 are down from the comparable period in FY 2005-06 by 2.1%.

Net income tax revenue (gross collections less refunds) totaled \$611.1 million in December, which was down 0.7% from last year's level. Despite the fact that income tax withholding payments topped the year-ago level by 1.2% and annual payments were up 2.9%, a 12.5% decline in estimated payments resulted in a slight 0.4% decline in gross income tax collections in December. Also contributing to the decline in net income tax collections was an increase in income tax refunds. In December, income tax refunds totaled \$24.6 million, which was up 8.4% from the year-ago level. On a fiscal year-to-date basis, net income tax collections are up a slight 0.2%.

Sales tax receipts totaled \$537.4 million in December. While this was up 2.2% from last year's level, the year-ago level was very weak. Contributing to the increase in December was a 4.1% increase in sales tax collections from motor vehicle transactions. This marks the third consecutive month that motor vehicle sales tax collections have topped their year-ago level. In the previous 36 months, motor vehicle sales tax collections had posted an increase in only two months. Sales tax collections from all other taxable transactions were up 2.0% in December. The increase in sales tax collections experienced in December was not large enough to offset the sharp 6.7% decline that occurred in November. As a result, sales tax collections are down 2.3% so far in FY 2006-07.

Single business tax collections totaled \$78.2 million in December, which was down 25.9% from December 2005. Using a three-month moving average to help smooth the monthly volatility in single business tax payments, December collections were down 11.8%, marking the fifth consecutive monthly decline. Prior to these steady declines, single business tax collections had increased in seven of the nine months from November 2005 through July 2006. On a fiscal year-to-date basis, single business tax collections are down 19.8%.

Real estate transfer tax collections fell to \$18.1 million in December from \$30.2 million one year ago, for a decline of 40.1%. This followed declines of 22.6% and 28.1% in October and November, respectively, and marked the 10th time in the past 12 months that real estate transfer tax receipts fell below the previous year's level. In the nearly 12-year history of the real estate transfer tax, the current skid in collections represents the longest and steepest period of decline this tax has experienced. So far in FY 2006-07, real estate transfer tax collections are down 34.4%.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for December 2006, along with their fiscal year-to-date collections and growth rates. Also presented are the consensus revenue estimates for FY 2006-07, which were adopted at the May 2006 Consensus Revenue Estimating Conference.



Jay Wortley, Senior Economist

MICHIGAN REVENUE UPDATE
DECEMBER 2006
(dollars in millions)

Type of Revenue	December Collections		FY 2006-07 to Date ²⁾		FY 2006-07 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2005-06
Gross Income Tax	\$635.7	(0.4)%	\$1,159.4	0.8%	\$8,143.9	2.6%
Refunds	(24.6)	8.4	(49.0)	17.5	(1,758.0)	4.7
Net Income Tax	\$611.1	0.7%	\$1,110.4	0.2%	\$6,385.9	2.1%
Sales Tax	537.4	2.2	1,056.7	(2.3)	6,958.7	3.7
Motor Vehicles	48.4	4.1	100.6	3.4	---	---
All Other Sales Tax	489.0	2.0	956.1	(2.9)	---	---
Use Tax	96.7	(9.9)	211.4	(2.6)	1,467.6	4.0
Tobacco Taxes	96.2	0.4	193.6	0.7	1,158.9	(1.7)
Single Business Tax	78.2	(25.9)	182.6	(19.8)	1,885.9	1.8
Insurance Tax	3.7	131.3	23.8	(16.5)	246.0	4.7
State Education Property Tax	55.1	(27.6)	350.4	13.4	2,116.0	5.3
Real Estate Transfer Tax	18.1	(40.1)	37.8	(34.4)	311.0	(2.8)
Casino Wagering Tax ⁴⁾	14.0	10.2	39.6	5.9	155.5	2.0
Oil & Gas Severance Tax	3.8	(50.6)	8.8	(50.6)	76.0	(19.1)
Other Taxes ⁵⁾	17.6	(4.9)	79.2	(10.8)	447.9	18.6
Total	\$1,531.9	(4.0)%	\$3,294.3	(2.1)%	\$21,209.4	2.7%
Addendum:						
Gross Lottery Sales ⁴⁾	\$221.9	3.9%	\$567.7	(0.3)%	\$2,246.0	1.0%
Net to School Aid Fund ⁴⁾	\$ 70.1	4.6%	\$184.4	(1.0)%	\$ 712.0	0.5%

1) Total collections are unadjusted cash collections unless otherwise noted.

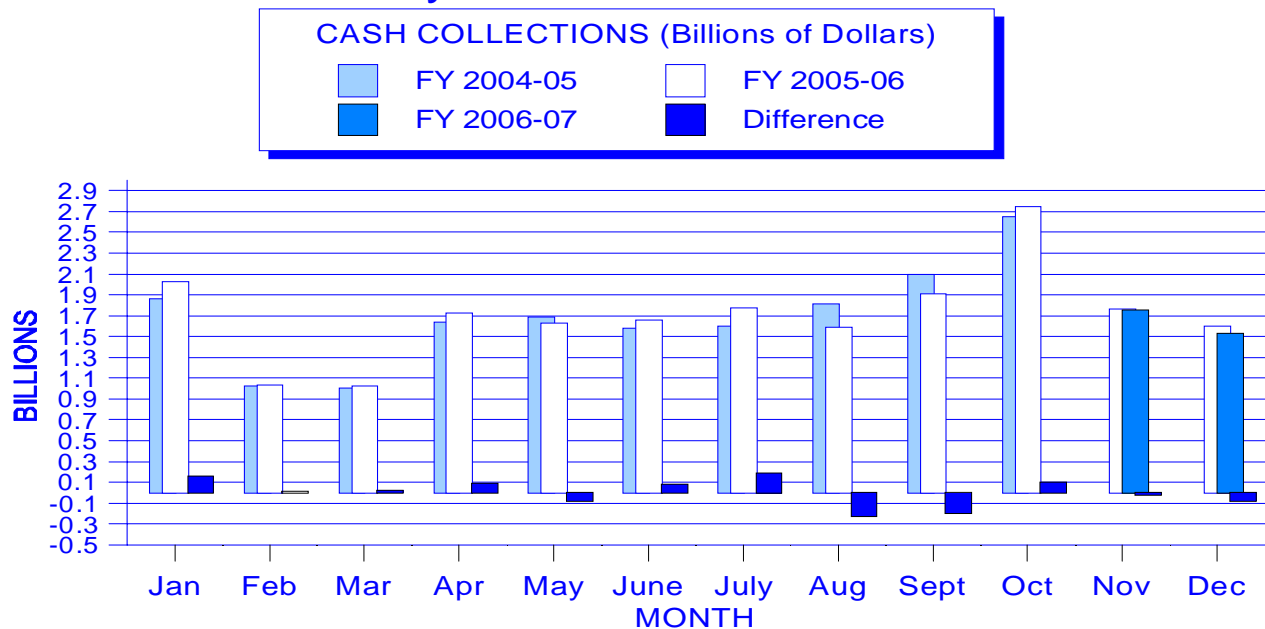
2) FY 2006-07 year-to-date collections begin with November 2006 collections to reflect accrual accounting.

3) Consensus revenue estimates adopted at the May 17, 2006, Consensus Revenue Estimating Conference.

4) Lottery and casino revenue is not accrued, so FY 2006-07 collections will include October 2006 to September 2007.

5) Other Taxes include beer, wine, liquor, industrial facilities, utility facilities, utility property, and estate taxes, and penalties and interest.

Actual Revenue Collections for Major State Taxes*
January 2005 to December 2006



*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.